

**CITY OF HURSTBOURNE ACRES
ORDINANCE NO. 04, SERIES 2020**

AN ORDINANCE ESTABLISHING THE INVESTMENT POLICY FOR THE CITY OF HURSTBOURNE ACRES, KENTUCKY.

WHEREAS, the City of Hurstbourne Acres has authority pursuant to KRS 66.480 to adopt an Investment Policy and to allow City funds to be responsibly invested.

NOW THEREFORE BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF HURSTBOURNE ACRES, KENTUCKY AS FOLLOWS:

SECTION ONE: The City Commission of the City of Hurstbourne Acres, Jefferson County, Kentucky, does hereby adopt the Investment Policy, attached hereto as Exhibit A, and incorporated herein by reference as if set out in full, for the purpose of giving direction for the responsible investment of City assets.

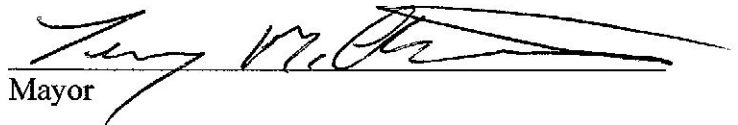
SECTION TWO: Any ordinance or part of ordinance in conflict with this ordinance or any part of this ordinance is hereby repealed.

SECTION THREE: Should any section, clause, line, paragraph, or part of this ordinance be held unconstitutional or invalid for any reason, the same shall not affect the validity of the remainder of this ordinance.


SECTION FOUR: This Ordinance shall take effect upon publication.

First Reading: April 9, 2020

Second Reading: May 14, 2020


Mayor

ATTEST:


City Clerk

HURSTBOURNE ACRES INVESTMENT POLICY

I. GENERAL POLICY

It is the policy of the City of Hurstbourne Acres (hereinafter "City") to Invest public funds in a manner which will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the City and conforming to all state statutes and City regulations governing the investment of public funds.

II. SCOPE

This investment policy applies to all financial assets held directly by the City. These financial assets are accounted for in the City's annual financial report and include all moneys in all City accounts.

Financial assets of the City held and Invested by trustees or fiscal agents are excluded from the policies; however, such assets shall be invested in accordance with state laws applicable to the Investment of local government funds and In accordance with the City's primary Investment objectives.

III. INVESTMENT OBJECTIVES

The City's primary Investment objectives, in order of priority, are following:

A. Safety. Safety of principal is the foremost objective of the City's investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

B. Liquidity. The City's Investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

C. Return on Investment. The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the City's Investment risk constraints and the cash flow characteristics of the portfolio.

IV. INVESTMENT AUTHORITY

Management responsibility for the City's Investment program is hereby delegated to the City Treasurer. The Treasurer shall have the authority, subject to the disapproval of the governing body to establish additional specific procedures for the operation of the investment program which are consistent with this investment policy. The procedures shall include explicit delegation of

authority, if any to persons responsible for Investment transactions. No person may engage in an Investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. The Treasurer shall be ultimately responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and employees. The control shall be designed to prevent and control losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or Imprudent actions by officers and employees. The Treasurer shall maintain all records related to the entity's investment program.

V. PRUDENT PERSON RULE

The actions of the Treasurer In the performance of his or her duties as manager of the City's funds shall be evaluated using the “prudent person” standard. Investments shall be made with judgment and care under prevailing circumstances which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.

The Treasurer, acting in accordance with written procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's performance, provided that deviations from expectations are reported in a timely fashion to the governing body and appropriate action is taken to control adverse developments.

VI. AUTHORIZED INVESTMENTS

1. The funds of the City available for investment shall be invested in accordance with this policy and all applicable state statutes only in the following types of Investments instruments:

(a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including but not limited to national or state banks chartered in Kentucky;

(b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to: 1. United States Treasury; 2. Export-Import Bank of the United States; 3. Farmers Home Administration; 4. Government National Mortgage Corporation; and 5. Merchant Marine bonds;

(c) Obligations of any corporation of the United States government, including but not limited to: 1. Federal Home Loan Mortgage Corporation; 2. Federal Farm Credit Banks; 3. Bank for Cooperatives; 4. Federal Intermediate Credit Banks; 5. Federal Land Banks; 6. Federal Home Loan Banks; 7. Federal National Mortgage Association; and 8. Tennessee Valley Authority;

(d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4);

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one (1) of the three (3) highest categories by a competent rating agency;

(f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a competent rating agency;

(g) Commercial paper rated in the highest category by a competent rating agency;

(h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a competent rating agency;

(j) Shares of mutual funds and exchange traded funds, each of which shall have the following characteristics: 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended; 2. The management company of the investment company shall have been in operation for at least five (5) years; and 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section;

(k) Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent (25%) of the equity allocation; and

(l) Individual high-quality corporate bonds that are managed by a professional investment manager that:

1. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;

2. Have a standard maturity of no more than ten (10) years; and

3. Are rated in the three (3) highest rating categories by at least two (2) competent credit rating agencies.

(2) The investment authority provided by subsection (1) of this section shall be subject to the following limitations:

(a) The amount of money invested at any time by a local government or political subdivision in any one (1) of the categories of investments authorized by subsection (1)(e), (f), (g), (k), and (l) of this section shall not exceed twenty percent (20%) of the total amount of money invested by the local government;

(b) The amount of money invested at any one (1) time by a local government or a political subdivision in the categories of investments authorized in subsection (1)(j), (k), and (l) of this section shall not, aggregately, exceed forty percent (40%) of the total money invested;

(c) No local government or political subdivision shall purchase any investment authorized by subsection (1) of this section on a margin basis or through the use of any similar leveraging technique; and

(d) At the time the investment is made, no more than five percent (5%) of the total amount of money invested by the local governments or political subdivisions shall be invested in any one (1) issuer unless:

1. The issuer is the United States government or an agency or instrumentality of the United States government, or an entity which has its obligations guaranteed by either the United States government or an entity, agency, or instrumentality of the United States government;

2. The money is invested in a certificate of deposit or other interest-bearing accounts as authorized by subsection (1)(d) and (e) of this section;

3. The money is invested in bonds or certificates of indebtedness of this state and its agencies and instrumentalities as authorized in subsection (1)(h) of this section; or

4. The money is invested in securities issued by a state or local government, or any instrumentality or agency thereof, in the United States as authorized in subsection (1)(i) of this section.

VII. DIVERSIFICATION OF INVESTMENTS

The City recognizes that some level of risk is Inherent in any investment transaction. Losses may be incurred due to Issuer default, market price changes, or closing Investments prior to maturity due to unanticipated cash flow needs. Diversification of the City's investment portfolio by institution, type of investment Instrument, and term to maturity Is the primary method to minimize investment risk.

The City's funds shall be diversified by security type and Institution. With the exception of fully insured or fully collateralized investments, and except for authorized investment pools, no more than 5% of the City's total Investment portfolio shall be invested In a single security type or with a single financial institution.

To the extent possible, the City will attempt to match its Investments with anticipated cash flow requirements. Unless matched to a specific cash flow need, the City's funds should be allocated so that 40% of Investments in securities mature within 5 years, 40% within 6-14 years, and 20% over 15 years.

VIII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Treasurer shall maintain a list of financial Institutions authorized to provide investment services to the City. In addition, a list shall be maintained of approved security brokers/dealers selected by creditworthiness, who maintain an office In the Commonwealth of Kentucky.

All financial Institutions and broker/dealers who desire to provide Investment services to the City shall supply the Treasurer with Information sufficient to adequately evaluate the institution and answer any and all inquiries posed by the Treasurer or the governing body, Including the following information:

- A. Audited financial statements.
- B. Regulatory reports on financial condition.
- C. Written memorandum of Agreement for the deposit of public funds or trading resolution, as appropriate.
- D. Proof of National Association of Security Dealers certification and proof of state registration.
- E. Any additional information considered necessary to allow the Treasurer to evaluate the creditworthiness of the institution.

No financial institution shall be selected as a depository of the City's funds unless the institution provides either FDIC insurance or SIPC insurance for the full amount of the deposited funds.

The Treasurer shall evaluate the financial capacity and creditworthiness of financial institutions and broker/dealers prior to the placement of the City's funds. The Treasurer shall conduct an annual review of the financial condition and registrations of financial institutions and broker/dealers and based on the review make any recommendations regarding investment policy or program changes determined to be necessary.

IX. SAFEKEEPING AND CUSTODY

To protect against potential fraud and embezzlement, investment assets shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. The Treasurer and any other officers or employees of the City authorized to engage in Investment transactions shall be bonded in an amount established by the governing body. Collateralized securities, such as repurchase agreements, shall be purchased using the

delivery versus payment procedure. Money market mutual funds used for Investments must provide for Independent custodians of their portfolios and delivery vs. payment on their portfolio securities. The safekeeping procedures utilized in the City's investment program shall be reviewed by the independent auditor.

X. COLLATERAL

A. Except as set forth in subsection B of this section, it is the policy of the City to require that all cash and investments maintained in any financial institution named as a depository be collateralized. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be 0% of the market value of principal, plus accrued interest.

B. Subject to the following conditions, the Treasurer may invest funds in uncollateralized certificates of deposit:

1. The Treasurer may invest in uncollateralized certificates of deposit only with the specific approval of the governing body.
2. The uncollateralized certificates of deposit must be issued by a bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.
3. The amount of funds invested in uncollateralized certificates of deposit shall not exceed 0% of the City's total investment portfolio.

XI. INVESTMENT REPORTING

The Treasurer shall prepare and submit to the governing body a monthly report regarding the status of the City's investment program, As to each Investment, the report shall include the following information:

- A. Name of financial institution from which the investment was purchased or in which assets are deposited.
- B. Type of investment.
- C. Certificate or other reference number if applicable.
- D. Purchase date, purchase price, and maturity date.
- E. Current market value of the investment.

XII. AUDIT

In connection with the audit of city funds conducted by an Independent certified public accountant, the auditor shall conduct a review of the City's Investment program, including internal controls and procedures, and the results of the review, including recommended changes, shall be included in the City's audit.

XIII. INVESTMENT POLICY ADOPTION

The City's Investment policy shall be adopted by Ordinance and shall become effective on the date of publication. The policy shall be reviewed annually and revised, as appropriate. Any amendments to this policy must be made by order of the governing body.

Any investment held on the date of initial adoption of this policy which does not meet the guidelines of this policy shall be exempted from its provisions. At maturity or liquidation, the monies so invested, if reinvested, shall be reinvested only in accordance with this policy. The Treasurer may take a reasonable period of time to adjust the existing portfolio to the provisions of this policy in order to avoid the premature liquidation of any current investment.